PMSA

West Coast Trade Report

June 2019

Parsing the April 2019 TEU Numbers

Please note: The numbers here are not derived from forecasting algorithms or incomplete information available from U.S. Customs and Border Protection but instead represent the actual TEU counts as reported by the major North American seaports we survey each month. The U.S. mainland ports we monitor collectively handle over 90% of the container movements at continental U.S. ports. Please also observe that, unless otherwise stated, the numbers in this portion of our analysis do not include empty containers.

Import Traffic

It's become difficult not to utter a discouraging word about the ports of San Pedro Bay.

While April saw a healthy uptick in containerized imports at most North American ports, the Port of Los Angeles recorded a 0.1% (-363 TEUs) decline in inbound traffic. Next door at the Port of Long Beach, inbound loads rose a modest 1.8% (+5,507 TEUs) over April of last year. Combined, the number of inbound loads at the two ports was up just 0.8% (+5,144 TEUs), a year-over-year increase smaller than the gains reported elsewhere on the USWC. Oakland's inbound traffic rose by 7.1% (+5,331 TEUs), while the Northwest Seaport Alliance Ports of Tacoma and Seattle posted an impressive 11.5% (+11,585 TEUs) improvement. Collectively, the five major USWC container ports handled 22,060 more TEUs (+2.6%) than in April 2018.

That compared poorly with the increases seen along other coasts. The nine

Exhibit 1 April 2019 - Inbound Loaded TEUs at Selected Ports

	Apr 2019	Apr 2018	% Change	Apr 2019 YTD	Apr 2018 YTD	% Change
Los Angeles	360,745	361,108	-0.1%	1,436,171	1,431,490	0.3%
Long Beach	317,883	312,376	1.8%	1,191,625	1,247,103	-4.4%
San Pedro Bay Totals	**678,628**	**673,484**	**0.8%**	**2,627,796**	**2,678,593**	**-1.9%**
Oakland	80,700	75,369	7.1%	307,286	290,473	5.8%
NWSA	112,652	101,067	11.5%	457,943	416,634	9.9%
USWC Totals	**871,980**	**849,920**	**2.6%**	**3,393,025**	**3,385,700**	**0.2%**
Boston	12,247	9,113	34.4%	47,888	43,650	9.7%
NYNJ	297,825	272,903	9.1%	1,203,674	1,145,006	5.1%
Maryland	42,984	39,605	8.5%	172,840	165,283	4.6%
Virginia	119,266	97,607	22.2%	441,420	415,248	6.3%
South Carolina	87,675	78,275	12.0%	346,324	315,324	9.8%
Georgia	175,661	161,691	8.6%	741,297	650,038	14.0%
Jaxport	27,094	18,812	44.0%	113,319	97,060	16.8%
Port Everglades	32,308	34,062	-5.1%	115,906	127,851	-9.3%
Miami	32,831	31,485	4.3%	142,932	134,351	6.4%
USEC Totals	**827,891**	**743,553**	**11.3%**	**3,325,600**	**3,093,811**	**7.5%**
New Orleans	10,087	9,405	7.3%	43,496	38,175	13.9%
Houston	100,627	89,063	13.0%	392,502	357,490	10.0%
USGC Totals	**110,714**	**98,468**	**12.4%**	**435,998**	**395,665**	**10.2%**
Vancouver	145,168	130,313	11.4%	575,503	545,774	5.4%
Prince Rupert	51,686	43,658	18.4%	184,047	171,215	7.5%
BC Totals	**196,854**	**173,971**	**13.2%**	**759,550**	**716,989**	**5.9%**
US/BC Totals	**2,007,439**	**1,865,912**	**7.6%**	**7,914,173**	**7,592,165**	**4.2%**
US Total	**1,810,585**	**1,691,941**	**7.0%**	**7,154,623**	**6,875,176**	**4.1%**

Source Individual Ports

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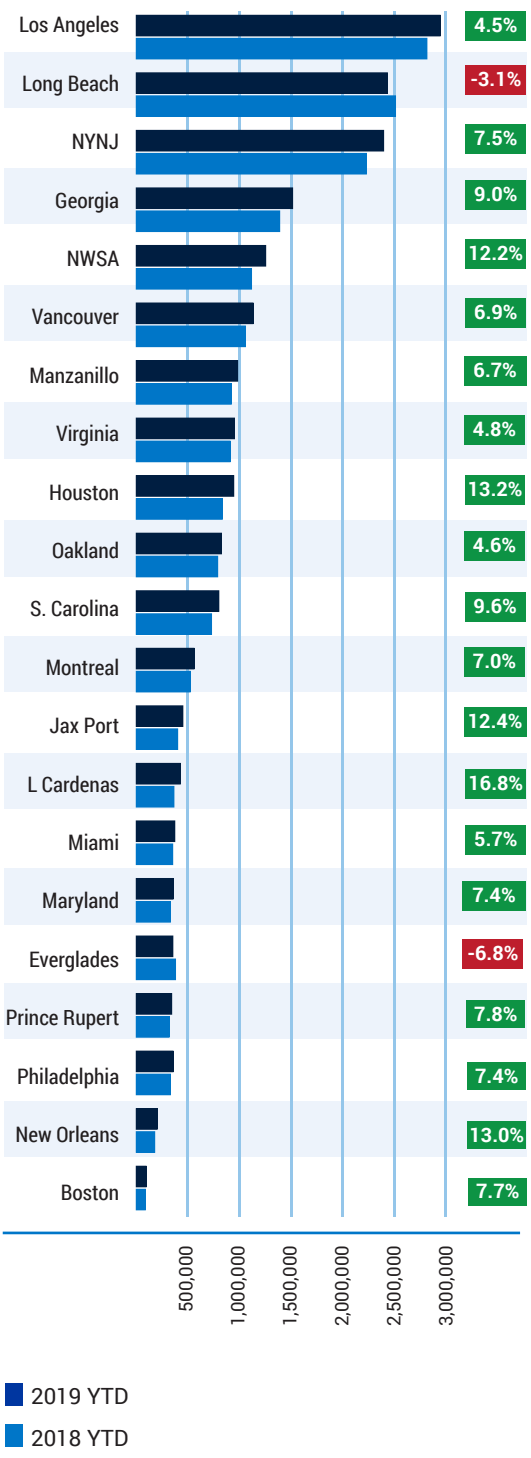
Parsing the April 2019 Loaded TEU Numbers Continued

Exhibit 2 April 2019 - Outbound Loaded TEUs at Selected Ports

	Apr 2019	Apr 2018	% Change	Apr 2019 YTD	Apr 2018 YTD	% Change
Los Angeles	155,533	164,704	-5.6%	601,935	636,037	-5.4%
Long Beach	123,804	141,799	-12.7%	477,815	535,637	-10.8%
San Pedro Bay Totals	**279,337**	**306,503**	**-8.9%**	**1,079,750**	**1,171,674**	**-7.8%**
Oakland	79,291	77,995	1.7%	310,680	308,738	0.6%
NWSA	81,305	78,909	3.0%	306,630	314,673	-2.6%
USWC Totals	**439,933**	**463,407**	**-5.1%**	**1,697,060**	**1,795,085**	**-5.5%**
Boston	7,754	6,353	22.1%	25,980	26,959	-3.6%
NYNJ	131,311	134,843	-2.6%	486,540	496,543	-2.0%
Maryland	20,940	21,248	-1.4%	76,032	80,120	-5.1%
Virginia	85,378	86,251	-1.0%	329,250	343,297	-4.1%
South Carolina	73,295	80,125	-8.5%	276,834	282,571	-2.0%
Georgia	129,726	141,353	-8.2%	514,442	502,408	2.4%
Jaxport	42,553	38,554	10.4%	167,875	162,332	3.4%
Port Everglades	36,084	38,261	-5.7%	139,761	150,523	-7.1%
Miami	30,719	34,880	-11.9%	139,145	132,577	5.0%
USEC Totals	**557,760**	**581,868**	**-4.1%**	**2,155,859**	**2,177,330**	**-1.00%**
New Orleans	24,547	21,921	12.0%	95,110	89,831	5.9%
Houston	106,654	94,827	12.5%	399,370	348,210	14.7%
USGC Totals	**131,201**	**116,748**	**12.0%**	**494,480**	**438,041**	**14.6%**
Vancouver	97,394	93,122	4.6%	385,133	350,663	9.8%
Prince Rupert	71,956	63,539	13.2%	250,982	238,525	5.2%
British Columbia Totals	**169,350**	**156,661**	**8.1%**	**385,133**	**350,663**	**9.8%**
US/Canada Total	**1,298,244**	**1,318,684**	**-1.6%**	**4,732,532**	**4,761,119**	**-0.6%**
US Total	**1,128,894**	**1,162,023**	**-2.9%**	**4,347,399**	**4,410,456**	**-1.4%**

Source Individual Ports

Exhibit 3 April Year-to-Date Total TEUs (Loaded and Empty) Handled at Selected Ports



Source: Individual Ports

Parsing the April 2019 Loaded TEU Numbers Continued

U.S. East Coast ports PMSA regularly monitors posted a combined 11.3% (+84,338 TEUs) over April 2018. Only Port Everglades reported a fall-off (-5.1%).

On the Gulf Coast, Houston logged a 13.0% (+11,564 TEUs) increase in inbound loads, while import traffic at New Orleans rose by 7.3% (+682 TEUs).

The two British Columbia ports we track both posted double-digit increases over last April, with Metro Vancouver up 11.4% (+14,855 TEUs), while Prince Rupert was up 18.4% (+8,028 TEUs).

Recapping the year-over-year gains in inbound loads across the nation, New York/New Jersey (+24,922 TEUs), Virginia (+21,659 TEUs), Savannah (+13,970 TEUs), NWSA (+11,585 TEUs), Houston (+11,564 TEUs), Charleston (+9,400 TEUs), and Oakland (+5,331 TEUs) all saw their inbound traffic in April grow by more than the 5,144 additional TEUs handled in San Pedro Bay.

Focusing now just on the mainland U.S. ports we track, import loads in April totaled 1,810,585 TEUs, a gain of 7.0% (+118,644 TEUs) over the same month in 2018. The Big Five USWC ports accounted for 871,980 TEUs for a 48.2% share, down from their 50.2% share in April of last year.

Export Traffic

Outbound traffic was generally down across the U.S. in April. Of the major USWC ports, Oakland (+1.7% or +1,296 TEUs) and the NWSA (+3.0% or +2.396 TEUs) both shipped more loaded containers abroad than they had in April 2018. However, down in San Pedro Bay, 27,166 fewer loaded TEUs (-8.9%) sailed. Altogether, the five USWC ports sent 23,474 (-5.1%) fewer loaded TEUs out to foreign markets than in April of last year.

Among the USEC ports, only Jaxport (+10.4% or +3,999 TEUs) and small but proud Boston (+22.1% or +1,401 TEUs) posted export gains. Elsewhere, outbound traffic was uniformly down. Altogether, the nine USEC ports we track saw outbound loaded traffic slide by 4.1% (-24,108 TEUs) from April 2018.

Along the Gulf Coast, Houston's outbound trade leapt by 12.5% (+11,827 TEUs), with New Orleans recording a 12.0% (+2,626 TEUs) increase.

The two British Columbia ports we track both saw outbound traffic grow in April. At Prince Rupert, outbound loads were up 13.2% (+8,417 TEUs), while Metro Vancouver recorded a 4.6% (+4,272 TEUs) gain.

Looking solely at the U.S. mainland ports that we monitor, April's container export trade slipped 2.9% (-33,129 TEUs) from April 2018. The Big Five USWC ports in April accounted for a 39.0% share of all loaded outbound TEUs shipped out of U.S. mainland ports, down from a 39.9% share a year earlier.

Northwest Seaport Alliance. April containerized tonnage statistics from the U.S. Census Bureau's Foreign Trade Division show Seattle and Tacoma handling virtually identical import volumes in April. At Seattle, containerized import tonnage rose 7.8% to 379,848 metric tons, while Tacoma was up 10.4% to 379,545 metric tons. The two ports parted ways on exports, however. At Seattle, containerized export tonnage fell 16.0% to 377,378 metric tons, while Tacoma had a 2.2% increase to 487,200 metric tons. Using a separate measurement source, statistics compiled by the Pacific Maritime Association show that April loaded imports at the Port of Tacoma rose by 14.0% (+7,645 TEUs) from last April, while outbound traffic slid by 8.6% (-5,828 TEUs). At the Port of Seattle, import containers fell by 5.1% (-2,404 TEUs), while outbound shipments also declined by 3.5% (-1,461 TEUs). We hasten to add our usual caveat that PMA numbers often differ from those collected by the ports themselves. We offer the PMA statistics only to shed light on how the two partners in the NWSA are faring individually.

Weights, Values, and the Federal Government Shutdown. With the May 9 release of U.S. trade data for the month of April, we are finally in sync once again with the official U.S. Government foreign trade statistics. Here we present the U.S. West Coast shares of the U.S. mainland port container trade in terms of the declared weight and value of containerized shipments.

First, a word (or actually a few numbers) about second-tier USWC ports. As we customarily do, we focus on the operations at the Big Five USWC container ports. That's because they routinely handle all but small percentage of the container traffic at the ports of California, Oregon, and Washington State. (Last year, for example, the Big Five's

Parsing the April 2019 Loaded TEU Numbers Continued

Exhibit 4 USWC Port Regions' Shares of U.S. Mainland Ports Worldwide Container Trade, April 2019

	Apr 2019	Mar 2019	Apr 2018
Shares of U.S. Mainland Ports Worldwide Containerized Import Tonnage			
LA/LB	25.9%	23.5%	29.7%
Oakland	4.0%	4.1%	4.0%
NWSA	5.4%	5.1%	5.1%
Shares of U.S. Mainland Ports Worldwide Containerized Import Value			
LA/LB	32.9%	30.4%	36.8%
Oakland	3.6%	3.8%	3.4%
NWSA	7.1%	6.7%	6.6%
Shares of U.S. Mainland Worldwide Containerized Export Tonnage			
LA/LB	21.6%	22.7%	23.6%
Oakland	6.4%	6.5%	5.8%
NWSA	7.8%	8.2%	8.0%
Shares of U.S. Mainland Worldwide Conatainerized Export Value			
LA/LB	21.7%	21.0%	22.8%
Oakland	6.1%	6.2%	5.8%
NWSA	4.2%	4.4%	4.3%

Source: U.S. Commerce Department.

Exhibit 5 USWC Port Regions' Shares of U.S. Mainland-East Asia Container Trade, April 2019

	Apr 2019	Mar 2019	Apr 2018
Shares of U.S. Mainland Ports' East Asian Container Import Tonnage			
LA/LB	43.6%	39.4%	48.1%
Oakland	4.6%	4.8%	4.5%
NWSA	8.4%	8.1%	7.8%
Shares of U.S. Mainland Ports' East Asian Container Import Value			
LA/LB	51.0%	47.9%	55.7%
Oakland	4.4%	4.8%	3.9%
NWSA	10.8%	10.2%	9.7%
Shares of U.S. Mainland Ports' East Asian Container Export Tonnage			
LA/LB	35.3%	37.8%	39.6%
Oakland	9.4%	9.6%	8.7%
NWSA	12.8%	13.2%	13.0%
Shares of U.S. Mainland Ports' East Asian Container Export Value			
LA/LB	42.8%	43.5%	47.1%
Oakland	10.6%	11.1%	10.6%
NWSA	8.5%	8.6%	8.6%

Source: U.S. Commerce Department.

share of the inbound traffic into USWC ports was 97.0%.) Still, a small percentage does translate into a volume of container traffic other ports around the nation might envy. In 2018, the second-tier USWC ports collectively handled 2.06 million metric tons of containerized imports. That's a greater volume of tonnage than came through Wilmington, Del. or Jacksonville that year. On the outbound side, the second-tier USWC ports last year handled just 1.9% of containerized export tonnage through all USWC ports. But that amounted to 940,846 million metric tons, more than Philadelphia or Boston handled. So here's a shout-out to all the USWC ports from San Diego and Hueneme to Stockton and Richmond to Longview, Kalama, and Vancouver, Washington.

Also, we remind our readers that containers do not handle all traded goods. Last year, for example, less than half (45.5%) of the 263.14 million metric tons of goods that moved through USWC ports travelled in a container. Even if we subtract petroleum shipments, non-containerized shipments accounted for 42.1% of total cargo tonnage. With tariffs up and commodity prices often down, the fact that tonnage levels in this year's first four months was just 1.6% below last year is surprising only because we might have expected a larger decline. But, while the Big Five accounted for about two-thirds of all vessel tonnage (66.3% last year), the smaller USWC ports move impressive volumes of cargo (88.64 million metric tons in 2018). Total tonnage handled at these second-tier ports in the April YTD period this year slipped by 3.0% from the same period last year. At Longview (WA),

Parsing the April 2019 Loaded TEU Numbers Continued

tonnage was off 21.8%. At Everett (WA), tonnage declined by 37.0%. The amount of tonnage moved through Portland (not the one in Maine) sagged 7.9%, while Kalama (WA) recorded a 5.8% drop in tonnage. Redwood City (Silicon Valley) posted a 28.6% increase

Exhibit 4: USWC Ports and the Worldwide Container Trade. Exhibit 4 continues to plot the steady decline in the volume of containerized imports at USWC ports. The two San Pedro Bay ports saw their combined share of containerized import tonnage slide to 25.9% from 29.7% a year earlier. Similarly, the two experienced a parallel drop in the declared value of containerized imports to 32.9% in April from 36.8% last April. Both Oakland and the NWSA fared somewhat better, though not by enough to prevent the big U.S. Pacific Coast ports from seeing a continued loss of import business to rivals elsewhere.

Exhibit 5: USWC Ports and the East Asia Trade. Now looking at the April figures on containerized imports arriving at U.S. Mainland ports from East Asia, we see that the Ports of Los Angeles and Long Beach saw their combined share shrink to 43.6% from 48.1% of the imported tonnage. The two ports also experienced a decline in their combined share of the value of imported goods to 51.0% from 55.7%. (Importers of higher value goods have long favored the Southern California gateway.) On the export side, the percentage of exports from mainland U.S. ports to East Asia also shrank at LA and Long Beach.

First Glimpse at May's Numbers

May offers some surprising numbers, especially if you were among those looking for the turmoil over Trump's Tariffs to produce another import surge like the one that clogged up ports late last year. The first set of reported numbers – the Port of Virginia with a healthy 10.1% (+11,000 TEUs) bump in inbound loads, followed by the Port of Los Angeles on June 11 with a substantial 5.5% (+22,202 TEUs) bounce – produced a flourish of hasty headlines proclaiming a major import influx as shippers rushed to fill warehouses before tariffs on virtually all Chinese imports were hiked to 25%. But then the tide began to turn. Within hours of the upbeat report from LA, its neighbor challenged the narrative. To use an expression Dizzy Dean, a Hall-of-Famer and color commentator on Saturday afternoon baseball broadcasts back in the 1950s, liked to use, imports at the more easterly of the neighboring San Pedro Bay ports had "just plain slud" in May, by 19.5% (-70,488 TEUs). You have to go all the way back to 2012 to find a May in which the number of inbound loads was so meager. So, far from evidencing an import surge, the TEU counts for the San Pedro Bay ports showed a 6.3% fall-off amounting to 48,286 fewer inbound loads than the ports had handled a year earlier. The Port of Oakland chipped away at what seemed certain to be a dismal May for USWC ports by posting a 4.2% (+3.499 TEUs) gain in inbound loads, but then the NWSA ports reported a 5.3% drop (-6,719 TEUs). As a result, rather than a port-clogging surge, May saw USWC ports handling 51,506 fewer inbound loaded TEUs than a year earlier. Even Vancouver faltered with a 10.4% drop in inbound loads.

Who's #2?

For the past few editions, we have drawn attention to the possibility that the Port of New York/New Jersey might soon regain a status it hasn't enjoyed since 1992, that of being America's second busiest container ports after the Port of Los Angeles. Depending of what you're counting (economists tend to wear different eyeglasses than port directors), that did or did not already happen.

For the year's first four months, Long Beach reported handling 2,434,845 total TEUs (loaded + empty) or 78,471 fewer TEUs than in the same period last year. PNYNJ, by comparison, reported an April YTD tally of 2,398,108 TEUs, just 36,737 TEUs shy of the Long Beach total. (A year ago, Long Beach enjoyed a 281,838 TEUs lead.)

But let's ignore the empty boxes. Though moving them may generate some cash flow, they're not going to make anyone's Christmas happy. So, through April, Long Beach handled 1,669,440 loaded TEUs. PNYNJ, meanwhile, moved rather more loaded TEUs (1,690,214) across its docks. That's 20,774 more goods-laden TEUs than its West Coast peer.

Since NYNJ is normally the last major port to post its TEU counts, we won't know how it fared in May until early next month. But we do already know that Long Beach handled 3,008,468 loaded and empty TEUs through May, meaning that NYNJ could overtake Long Beach by handling at least 610,360 total TEUs in May. Considering that NYNJ has averaged just a shade under 600,000 TEUs per month from January through April, there's a growing likelihood we may be crowning a new #2 this summer.

Jock O'Connell's Commentary:

An Ode to Lithe

I gave a talk the other day at the American Association of Port Authorities' Port Commissioners Seminar at San Francisco's Hyatt Regency (the one regrettably without coffee-making devices in every room). Part of my remarks involved an examination of five clusters of macro developments I thought were likely to significantly and inescapably affect every North American port's operations between now and mid-century.

Here's the relevant slide from my presentation:

All clusters featured obvious dark clouds that would likely cast shadows over the outlook for maritime trade. For example, under Trade Policy, the decades-long Bretton Woods consensus that was inherently biased toward the free flow of trade was pretty much shattered in 2016 on both sides of the Atlantic when Britain voted to leave the European Union and Donald Trump was elected U.S. President. Almost as his first act as president, Trump pulled out of the Transpacific Partnership, repudiated the Transatlantic Trade and Investment Partnership, and issued new threats to withdraw from NAFTA. Then came the waves of tariffs in which Trump picked fights with every important trading partner but especially with China. Now, the U.S. and China are engaged in a hugely complex trade conflict involving so many intertwined issues that meaningful resolution in the near-term seems imponderable. Cargo flows through U.S. ports have been greatly and, for the most part, negatively affected.

However, the clusters that should be of the utmost concern in weighing long-term port planning are Demographics and Climate Change.

All demographic projections indicate a dramatic redistribution of the world's population by mid-century and beyond. Several major U.S. trading partners will experience populations that are not only shrinking but growing grayer, with all the not-so-positive implications those trends imply for future consumption of tradable goods. By mid-century, there will be fewer Chinese, Japanese, Germans, South Koreans, and Russians. For a nation like the U.S. (which is forecast to grow in population, albeit at slower rates under Trumpian immigration policies) that conducts more than half of its foreign trade with just five nations, the fact that three of them (China, Japan, and Germany) are on downward population slopes should be sobering.

And it is not just migrations of populations but of industry as well. Technologies such as additive manufacturing, protectionist trade policies that make liberal use of tariffs and barriers to foreign investment, and a ceaseless search by manufacturers for lower-cost jurisdictions will continue to reshape the geography of manufacturing.

The other cluster – Climate Change – overlaps with the demographic cluster in at least one important respect. Changing weather patterns, if they persist, may make some regions of the globe less than hospitable for people and industry. Earlier this month, temperatures in New Delhi reached 118, the highest ever recoded there in June. In one western state in India, the thermometer exceeded 122. Those are temperature readings which discourage even the foolhardiest German tourists from trekking Death Valley. Ultimately, prolonged periods of soaring temperatures may result in population migrations of epic proportions. That would, in turn, substantially alter where crops are grown and where factories manufacture goods, with all of the myriad implications that would entail for maritime transportation.

Now, an earlier part of my talk at the AAPA session involved a riff (maybe closer to a rant, actually) on the long-term cargo forecasts ports periodically commission

Commentary Continued

to help guide planning and investment decisions. The fundamental issue I have with most every forecast I've ever examined is that they have a limited shelf-life despite the pretense of predicting cargo volumes as much as 30-40 years into the future.

Frankly, anybody who professes to know what the world will look like in ten years, let alone at mid-century only serves to confirm the old rub that the real reason economic forecasters exist is to give credence to astrology. A cleverly contrived algorithm cannot foresee all eventualities. (Consider the 2007 container forecast for the San Pedro Bay ports that was upended the next year by a Great Recession very few anticipated.)

The problem, typically, is that forecasts are extensions of the existing narrative. Unless there is some compelling reason to think otherwise, they broadly assume the immediate future will resemble the immediate past. If your port's container traffic has been growing at 3% a year for the past decade, the forecast will likely show a 3% per annum projection, bracketed of course by estimates drafted by Pollyanna on the one hand and Calamity Jane on the other. (Actually, Calamity Jane is an optimist. She seldom, if ever, foresees the port going out of business.)

That is why I propose that forecasters of all stripes contribute to building a shrine to Lithe, the Greek goddess of forgetfulness, on some pleasant Mediterranean isle and be required to make annual pilgrimages there to pray that she will muddy all recollections of their errant prognostications.

Okay, O'Connell, this is all very interesting, but last month you promised your readers that you would discuss the competition between the NWSA ports and their British Columbia rivals? Where's that piece?

In truth, I had been giving this topic a great deal of thought and had indeed been reviewing the relevant statistics for the four big container ports on either side if the 49th parallel. But then my attention had been diverted in recent days by stories in the maritime media about a report from Mercator on the origins/destinations (O/D) of container traffic through the Ports of Vancouver and Prince Rupert.

The take-away numbers, as recounted in the *Journal of Commerce* and *American Shipper* among other news outlets, was that a growing share of the intermodal traffic at both Canadian ports involved O/D within the United States. Where 23.7% of the total container traffic at the two BC ports in 2010 involved U.S. markets, that share had grown to 27.4% in 2018. The dependence on American markets was particularly acute for Prince Rupert, where the U.S. share of total container imports stood at 68.3% last year. (50.5% of the port's outbound volume involved U.S. shipments.)

The Mercator report featured no commentary, but the conclusions reached by reporters was that these increases were coming almost entirely at the expense of the NWSA ports in Puget Sound.

That may well be the case, but what caught my eye in the brief introduction to the report was the statement that Mercator reviewed and analyzed "Port Metro Vancouver's 2016 container volume forecast in order to identify this port's historical breakdown of container volume by origin/destination area."

Well, it turns out I'd been reading that earlier forecast lately and occasionally stopping to ponder some of its peculiar assumptions as well as its glaring editorial glitches.

Section I of the 2016 forecast contains a "Pacific Gateway" forecast that covers both British Columbia ports and counts both loaded and empty containers. Its base case scenario (Table 1.38 on page 95) expected import demand to rise from 2,018.8 thousand TEUs in 2015 to **3,310.1 thousand TEUs** by 2030. Its parallel export forecast (Table 1.39 on page 97) looked for growth from 1,812.1 thousand TEUs in 2015 to **3,310.1 thousand TEUs** in 2030.

No kidding, Tables 1.38 and 1.39 display TEU forecast counts for both imports and exports that are identical for every year after 2021. I have no idea why or, more importantly, why no one seems to have fixed the error.

Alas, the same mistake is repeated much deeper in the forecast where a more detailed outlook for Vancouver is presented in Section VII following page 214.

In Table 7.1 (page 219), the Pollyanna Forecast expects total container volumes (in TEUs) to grow by 104.1% between 2015 and 2030, while the Calamity Jane Forecast fears growth will only be 38.4%. In between is the Prudent Patty guess that TEU traffic will swell by 79.4%.

Commentary Continued

Table 7.2 is titled "Port of Vancouver – Base Scenario **Import** Container Port Demand to 2030." Here the expectation is that import traffic will grow from 1,580.8 thousand TEUs in 2015 to **2,739.7 thousand TEUs in 2030**, an apparent increase of 72.6%. "Apparent" is the appropriate adjective because, as we shall see, it's not clear which numbers are which in this forecast.

Table 7.3 is entitled "Port of Vancouver – Base Scenario **Export** Container Port Demand to 2030". Here the forecast held that export traffic will increase from 1,473.6 thousand TEUs in 2015 to **2,739.7 thousand TEUs in 2030**. That's right. It expects export and import demand to be identical by the end of the forecast period. Actually, for every year after 2021, Table 7.3 repeats the data contained in Table 7.2.

So which set of numbers is bogus? Evidently, no one has taken the trouble to amend the copy of the forecast available on the port's website at: https://www.portvancouver.com/wp-content/uploads/2015/05/2016-Container-Traffic-Forecast-Study-Ocean-Shipping-Consultants.pdf.

Shoddy proofreading that thwarts an independent analysis of the forecast is bad enough. Worse, though, is evidence of a forecast that embraces a static world.

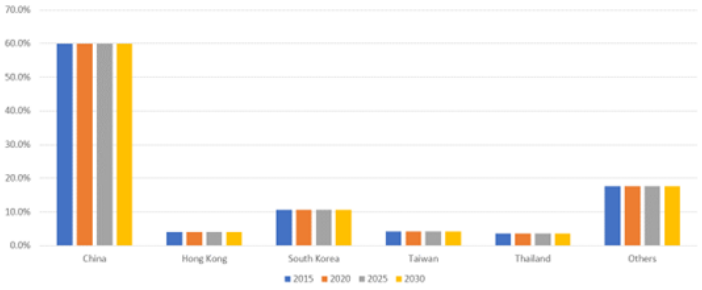
In Table 7.2, the major sources of imported TEUs are listed. They are the usual suspects. Along with their respective shares of Vancouver's container import trade in 2015, they are: China (60.0%), Hong Kong (4.0%), South Korea (10.6%), Taiwan (4.2%), Thailand (3.6%), and Others (17.6%).

China's out-sized, round-number 60.0% share in 2015 does not seem unreasonable or contrived. The forecast indicates that it was down from 60.8% the year before but up from 56.1% in 2013. (By comparison and admittedly using a different metric, China's share of containerized import tonnage at the NWSA ports peaked at 63.6% in 2010 and gradually dwindled to 54.6% last year. Still, fully three-quarters of all imports via the NWSA ports come from six nations: China, Japan, Taiwan, South Korea, Vietnam, and Thailand.)

But then something very odd happens in the Vancouver import forecast. For each year between 2015 and 2030, the shares of imported TEUs attributed to each of the principal countries-of-origin do not vary by even a fraction of a percent. China's 60.0% share in 2015 remains 60.0% in 2030, just as the 17.6% share attributed to Others is the same throughout the entire 15-year forecast period.

Really? Not exactly a forecast for a constantly changing world.

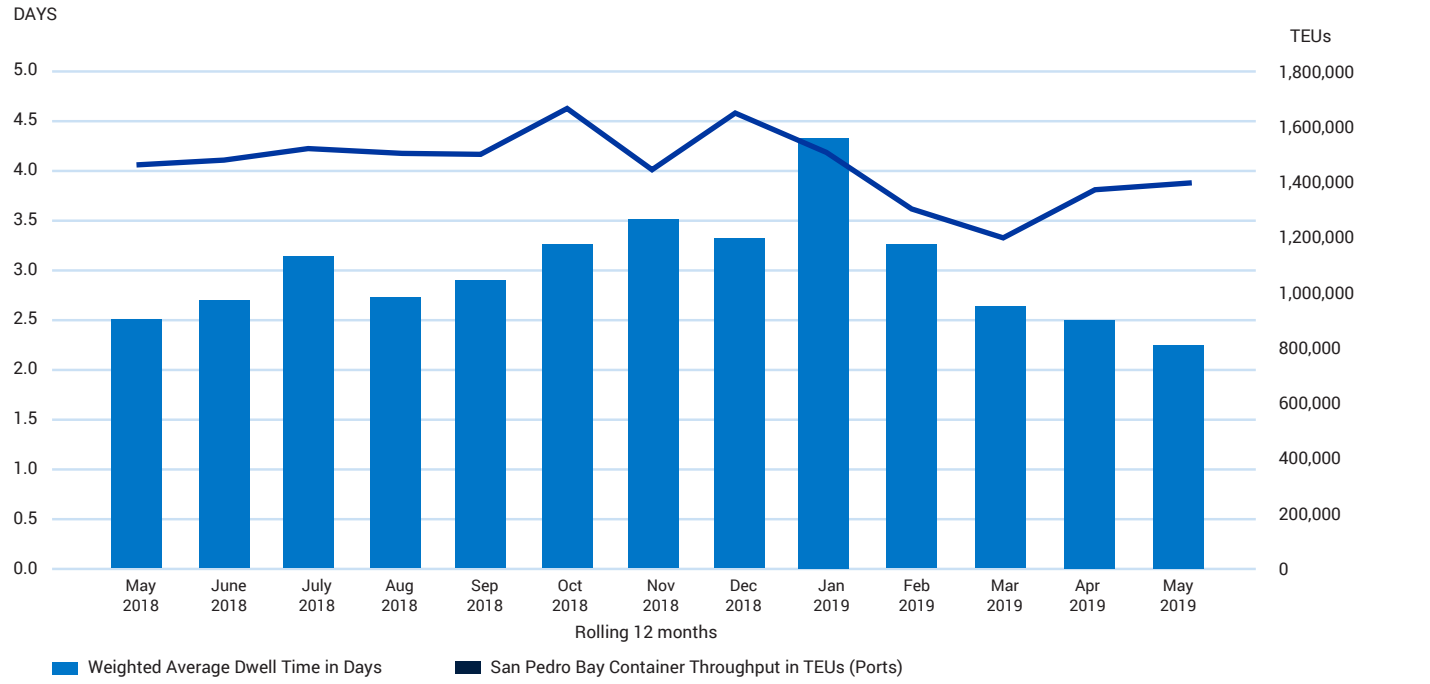
Exhibit A **2016 Port of Vancouver Container Forecast Shares by Country of Origin 2015-2030**



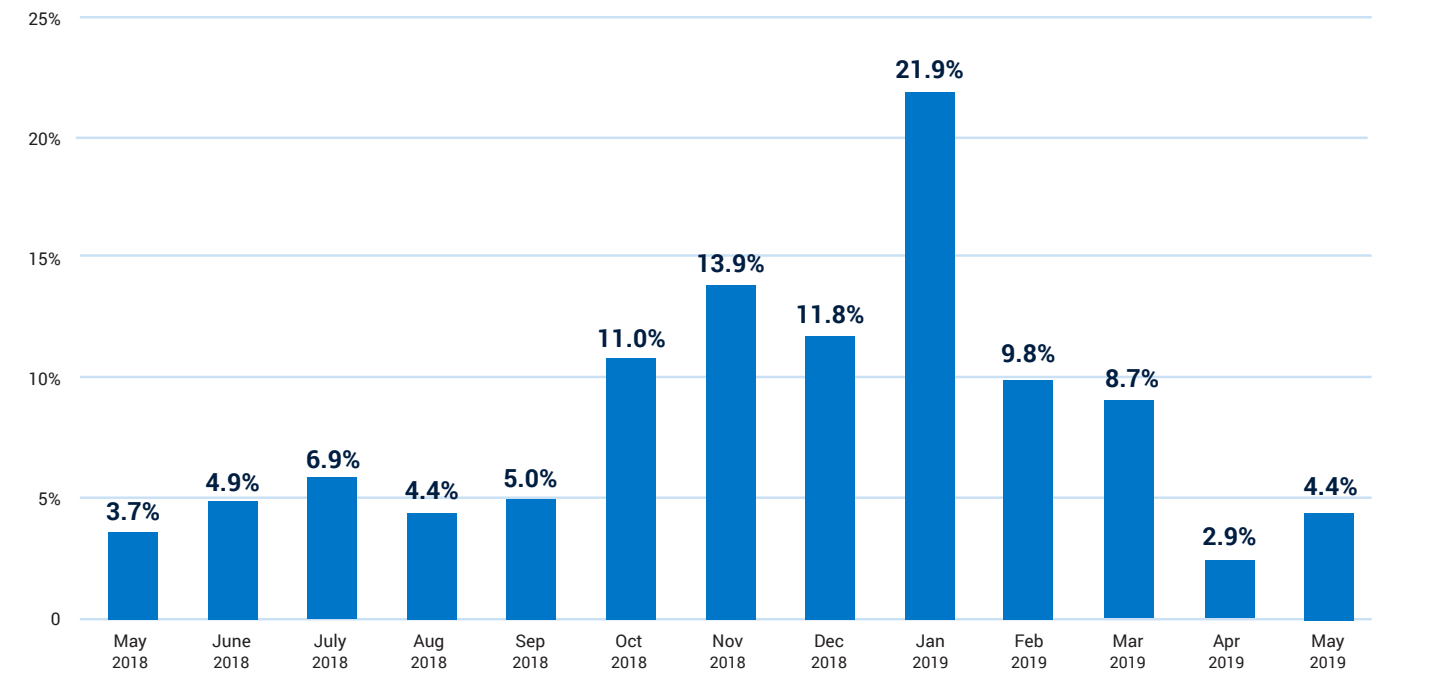
Disclaimer: *The views expressed in Jock's commentaries are his own and may not reflect the positions of the Pacific Merchant Shipping Association.*

May Dwell Time Numbers Continue to Go Down

San Pedro Bay Weighted Average Inbound Laden Container Dwell Time in Days



Dwell Time in Days % > 5 Days



Navigating Politics in the Era of Brinksmanship

How ports can avoid being caught up in escalating policy disputes and high stakes disagreements

By John McLaurin
President, Pacific Merchant Shipping Association

The following is a speech that was given at a conference of port commissioners hosted by the American Association of Port Authorities.

I was asked to address how ports can avoid being caught up in escalating policy disputes and high stakes disagreements.

Short answer – they can't.

Unfortunately, conflict is now the nature of the beast. But before we conclude that the situation is hopeless, let's understand what is wrong right now and what has to change to ensure ports are economic engines rather than political pawns, or worse yet, political causalities.

First, what's wrong. Port commissioners in California and Washington are either appointed by a local mayor or elected to office. In addition, ports are hybrid creatures on multiple levels – they are local public entities essentially operating as businesses in a global competitive environment overseen by a governance structure that is inherently political.

And at least in California, port authorities and their commissioners can also have conflicting responsibilities and priorities given that they are local public agencies with local interests while also serving as trustees on behalf of the state of California.

In past years, the state trust responsibilities provided port commissioners with a shield to take positions that might have been counter to the wishes of City Hall. Today, however, those trust responsibilities have become a thin veneer that does little to repel local policy directives and funding schemes. Instead of being viewed as trade gateways whose benefits go way beyond the confines of the port, the role of some ports is being reduced to the immediate gratification of cash transfers to the local city partner. Often ignored or forgotten by local political or state entities is the fact that ports are part of an international goods movement system. Local or state actions and policy decisions affecting the ports can have ramifications on a worldwide basis.

And layered over these conflicting responsibilities, port politics have become vicious and personal. In recent years, some port commissioners were either removed or voluntarily left office because they refused to bend to the political will of those that placed them in office. In other situations, the trade community has witnessed very public disputes and feuds between commissioners.

The political gamesmanship now part of daily port life and governance has also resulted in altering the social compact that ports have had with their paying customers. The priorities of the ports have shifted away from those that pay the bills to those that shout the loudest or have the greatest political influence. And it comes at a time when ports, and their customers, face a number of very serious issues and challenges. These include:

- Environmental stewardship and regulation
- Gateway performance and service levels
- Port finances
- Automation
- Data control
- Land use and threats to maritime industrial properties
- City and state political agendas
- Responding to climate change

And overlaying all of these issues is the consolidation and evolution of the maritime industry – one in which private equity interests are beginning to displace traditional players – bringing new relationships, new priorities and objectives and less tolerance for impediments to financial success.

All of this chaos impacts a port authority's relationship with its paying customers and causes friction between port commissioners and port staff. I attended a meeting held at a port recently in which port tenants, customers, labor and other waterfront interests loudly, and quite

Navigating Politics in the Era of Brinksmanship Continued

frankly, unfairly attacked port staff for the actions of the port commission. The collective feeling of the waterfront interest groups was that port staff had not done enough to protect the core business of the port – and were sacrificing it for the sake of a development project unrelated to the port's primary mission - international trade. The feelings expressed at the meeting were that the port commission was acting at the whim of the local mayor as opposed for the good of the port. This level of animosity, if it continues to fester at this port, may result in a couple of things: loss of confidence in the port as a gateway – and possible loss of cargo volume and the associated revenue; the potential loss of good and qualified port staff; and an inability to attract talented people to work for a port authority or serve on a port commission.

On the West Coast we have experienced loss of market share to other North American ports. Whether you use the metric of TEU's or cargo value, the loss of West Coast market share is well documented.

There are several factors involved in loss of market share. It ranges from a change in where goods are manufactured overseas; expansion, ease and availability of alternative gateways; West Coast labor strife; increased costs due to West Coast only environmental regulatory requirements; the absence or inadequate support of port gateways by state and local officials; and an overlay of an arrogance that cargo has to come through West Coast ports.

Just a few years ago, one of my Board members sent me the following message: "The value of commerce has to be overtly transparent and embraced by port authorities and their governing bodies, in the case of California, city councils. California has lost its balance, and frankly market share only remains because of deep water, not because the governing bodies welcome commerce."

That comment is still valid today. Tenants and customers are now viewing their relationship with their port authorities and local governing bodies with concern – and with a view that ports no longer appreciate or value them.

Port commissions also have a habit of creating their own adverse weather.

Whether elected or appointed by a local mayor, port commissions have been influenced, and on occasion, dominated by the desires of those seeking political advancement – creating internal conflict and strife amongst the commission and staff – along with alienating their customer base.

Port commissions have also been known to by-pass senior management and gone directly to port staff – creating conflict within the organization, including much publicized conflict among their fellow commissioners - creating a fair amount of concern for port customers.

Going even further than attempting to direct lower level staff, some port commissions have also discussed or actually hired their own staff, feeling that they either cannot trust staff or feel the need for independent analysis separate from core port staff. All of which leads to confusion for port customers as to who is in charge.

So switching from the negative and the challenges that ports face, a few words of advice on how to try to avoid conflict and disagreements and how to ensure balance in port decision-making:

- Don't forget that marine terminals and ocean carriers are your customers. A terminal lease will last longer than the tenure of any port director or port commissioner. Your terminal partner is investing in your port for the long term. Acknowledge that loyalty and the risk they are taking.
- If you want to offer operational advice in order to improve cargo flow, look at the entire supply chain, not just the politically expedient partners or rely on anecdotal feedback from one segment of the supply chain. Effective logistical solutions are the collective responsibility of all.
- Ports need to ensure their independence. To make it happen, ports need to better define the policies that will support the economic growth of their operations and invest the public in the benefits of those policies.
- Port commissioners and directors have a pulpit. Use it. Present a vision. But do so exercising responsibility that is factually based and non-biased.

Navigating Politics in the Era of Brinksmanship Continued

- Ports need to make an effort to change the perception people have of ports and port related operations. Ports and their tenants on the West Coast have collectively spent billions of dollars to make environmental improvements and advance innovative technologies, resulting in impressive environmental benefits, but have received little in the way of credit or acknowledgment from regulators, elected officials or the public.

Finally,

- Ports need broad-based third-party advocates to support their proposals. Existing organizations – or new ones – should take up arms in support of the ports.

In light of all of the regulatory, environmental and competitive challenges, coupled with the politics and ongoing threats to maritime industrial properties, I sarcastically asked a colleague a year or so ago if whether we would have ports in the future. His response was immediate, "Yes," he replied. "We shall call them marinas."

Hopefully the situation is not that dire. Ports generate good paying jobs, provide opportunities for millions, and are innovators both from a logistics and environmental standpoint, benefiting not only local communities but the world. The days of ports being hidden from view are over, but the acknowledgement and important role that our ports play remains to be fully recognized and appreciated.

Photo courtesy of the Port of Everett

Interested in membership in PMSA?
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